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PORTUGAL

The resignation of Prime Minister Palma Carlos and several other centrist ministers yesterday shows that the struggle for influence within the Portuguese leadership is far from over.

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By replacing the ministers with military officers, Spinoia may feel he can sidestep some of the issues raised by Palma Carlos' resignation. It is difficult to see how the Socialists and Communists could remain for long in a largely military cabinet.

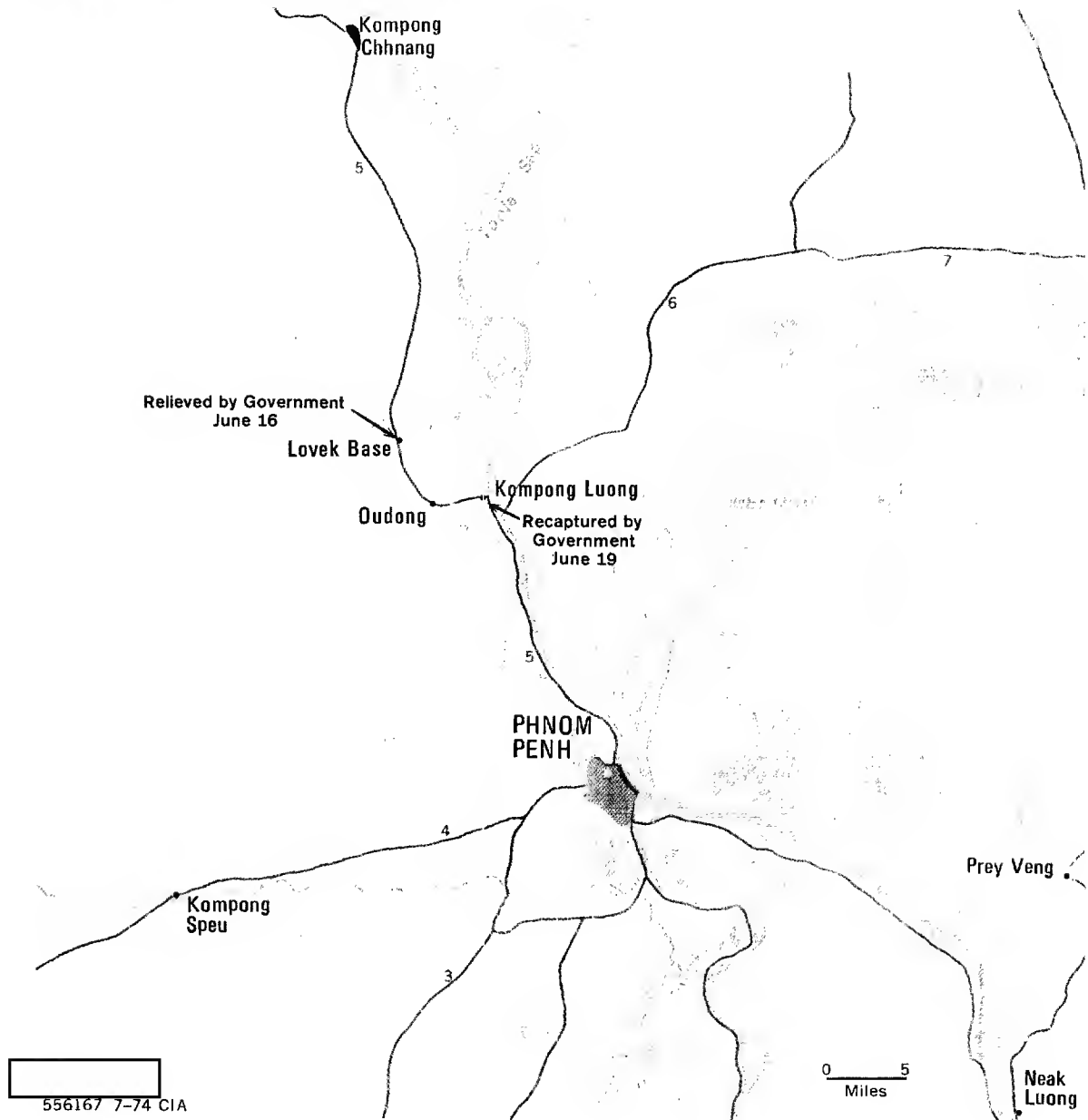
Spinoia may also have had to back off, for the time being at least, from moves to strengthen his own position.

_____ during the past two days
_____ moves were afoot to try to "legitimize" Spinoia's position with the organization of an early election.

According to the US embassy in Lisbon, the alert of military forces that was put into effect over the weekend was canceled yesterday and the city was calm. The armed forces did, however, consider it advisable to caution the population to avoid a protest demonstration that was called by "extremist organizations" last night. _____

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CAMBODIA: Phnom Penh Area



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CAMBODIA

The Cambodian army is on the verge of winding up a successful campaign northwest of Phnom Penh. After three weeks of sharp fighting along Route 5, advance government elements yesterday entered Oudong without opposition. Once the shattered town is completely occupied, army units will have regained a significant portion of their previous holdings in this area.

The Khmer Communists made a major effort to stem government advances on the northwestern front and by late June had committed between 5,000 and 7,000 troops to the fighting. Steady battlefield casualties and supply shortages have compounded long-standing insurgent command problems, however, and Communist units around Oudong now appear in disarray.

Oudong is a former royal capital of historical and religious significance. The Communists overran the town in mid-March, repulsed a government counterattack several weeks later, and touted the victories as a high point in their dry season campaign.

The recapture of Oudong comes at a politically propitious time for Phnom Penh. It reinforces the argument in the government's peace initiative of July 9, which stressed that a military victory is not possible for the Communists and that negotiations are the only way to end the conflict. Sihanouk yesterday publicly rejected the initiative, claiming that he and the Communists "would never agree to any kind of a compromise."

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USSR - WEST GERMANY

Moscow has publicly responded to the West German Bundestag's approval of the Federal Environmental Office in West Berlin. A signed commentary in Izvestia on July 7 asserts that the office will violate "the letter and spirit" of the Quadripartite Agreement on Berlin, and warns that the West Berlin population will suffer the consequences if Bonn follows through.

The fact that the Soviets have also raised the matter in diplomatic demarches indicates that they attach some importance to this issue. They may hope that by making guarded threats about West Berlin, they can get the US, the UK, and France to press Bonn to de-emphasize the environmental office issue and to give assurances that Bonn will refrain from taking additional steps to promote its ties to West Berlin.

Several months ago the Soviets implied that they or the East Germans might, as a reprisal, harass traffic to the city or take steps with respect to Bonn's representation of West Berlin citizens abroad. Although there are a number of such devices open to the Soviets, the key question is whether they are willing to becloud their relations with Bonn and with the West over the environmental office issue. Pushing too hard on West Berlin would probably have the effect of toughening Chancellor Schmidt's line on Ostpolitik at a time when the Soviets are in the early stages of trying to establish some rapport with his government. It also would probably stiffen the resolve of West Europeans at the stalled CSCE negotiations.

The Izvestia commentary referred disparagingly to "certain circles" in the West German governing coalition. Until now Moscow has handled the Schmidt government with considerable caution. The coolness of the new leaders in Bonn toward new initiatives to the East and their insistence on the development of ties with West Berlin have encouraged the Soviets to resort to some tough talk.

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LAOS

Non-Communist elements are moving ahead on the difficult task of forming a united political front.

An article in a Vientiane newspaper, attributed to authoritative sources, states that ten non-Communist cabinet ministers and nine Lao army generals are behind the newly established "Vientiane side government front," which is designed to compete politically with the Pathet Lao. According to the article, one of the front's main tasks will be to find a new leader now that Prime Minister Souvanna is acting as arbiter between the two sides in the present coalition. In the interim, Deputy Premier Leuam Insisiengmay will be the front's unofficial head.

Some of the front's leaders have already begun to meet before each weekly cabinet session to adopt common positions on key issues. They expect that the front will function until new national elections are held and a permanent government of national union is formed--developments that they do not believe will take place for several years.

The objectives of the new front include ensuring strict Communist adherence to the terms of the Lao agreement and protocol and maintenance of the institutions of the former government in order to permit an "equitable solution of national problems." The latter objective reflects the non-Communists' opposition to Souvanna's desire to replace the present inactive National Assembly with an expanded advisory political council. The political council is chaired and dominated by Lao Communist leader Prince Souphanouvong.

A number of younger non-Communist officials in Vientiane, whom the front has to attract if it is to prosper, were quick to voice misgivings about the organization. According to the US embassy, they believe the front represents an ill-timed political power play by members of the influential Sananikone clan--a rightist

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element whose political interests mainly reflect a desire to protect and expand family financial holdings. The willingness of the younger officials to align themselves with the front will depend in part on whether Interior Minister Pheng Phongsavan--who is temporarily abroad--goes along with the new group. Souvanna's reaction will also have a strong impact on their ultimate attitude toward the front.

The Pathet Lao are sure to weigh in heavily against the front. One Lao Communist member of the coalition has already described the organization as another "rightist plot" designed to overthrow the agreements.

The Pathet Lao have also denounced some of the front's leaders for the circulation yesterday by several second-echelon rightist politicians of a petition outside the National Assembly calling for the withdrawal of North Vietnamese troops from Laos. In expressing public disapproval of the petition incident, Prime Minister Souvanna indicated that he was personally handling the troop withdrawal issue.

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SOUTH KOREA

South Korean Bishop Chi Hak-sun, arrested on July 6 upon his return from a two-month trip to Europe, is being held for trial on charges of having supported a conspiracy to overthrow the Pak government. If Chi, a leading Catholic social activist, is brought to trial, the domestic and international repercussions are likely to be highly unfavorable for South Korea.

The evidence against the 53-year-old bishop [redacted]

[redacted] is that he contributed more than \$3,000 to youth and student leaders engaged in plotting antigovernment violence and sabotage earlier this year. [redacted] Chi has admitted providing the funds for political purposes, but that he denies any knowledge that the recipients planned violent acts. A few months ago, Chi told reporters in Seoul that the money in question was a gift to a close friend who had been persecuted by the authorities and needed assistance for the support of his family.

Chi's arrest has already caused deep concern among South Korean Catholics. He has been visited by the papal nuncio, who has been generally unsympathetic to Chi's political activities, and by Cardinal Kim, whose task of establishing a Catholic position in support of human rights without coming into open conflict with the government has been enormously complicated by Bishop Chi's return and arrest.

The government is well aware that a trial of a high church official will have adverse repercussions on South Korea's 4 million Christians and on its increasingly tarnished image abroad. It appears, however, that the order for Bishop Chi's arrest came directly from President Pak.

At the moment, the principal effort at compromise is being directed by Cardinal Kim. He hopes to negotiate Bishop Chi's release from government custody, while cautiously avoiding official expressions of sympathy for the bishop. The Protestants' public position on the matter will be decided at a meeting of South Korea's National Council of Christian Churches on July 10.

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LEBANON

Lebanese Defense Minister Maluf has announced he will visit Syria and Kuwait this week to ask for military and economic aid. Lebanon is attempting through bilateral contacts to prompt the Arab states to make good on promises of assistance made at the Arab League Defense Council meeting last week.

There is no evidence that Maluf's trip is related specifically to Israel's attack on July 8 against Lebanese ports. That incident, however, will increase Lebanon's hope that its contacts, including those to be scheduled with other Arab governments, will yield concrete results.

In bilateral talks with the Egyptians last week, the Lebanese apparently sought the necessary support to implement their own long-range defense plan, which has been based primarily on the acquisition of additional Western equipment. In Cairo, Lebanese Prime Minister Sulh stated publicly that his government does not consider it necessary to accept offers of personnel and aircraft. Maluf will hold to this line in his talks with the Syrians and Kuwaitis. Beirut may also seek Arab funds for the reconstruction of southern Lebanon.

The Lebanese are generally satisfied with the results of the Defense Council meeting. The session cast Lebanon in the flattering but unaccustomed role of an Arab "stalwart," yet did not force the Lebanese to accept unwanted sophisticated military aid that might provoke wider hostilities with Israel.

Lebanon apparently failed to win any effective assistance from the Defense Council in dealing with the perennial problem of fedayeen activities in Lebanon. Predictably, Lebanon's efforts to forestall increased Arab assistance directly to the fedayeen irritated fedayeen leaders. The latter are convening in Damascus this week to consider the results of the Cairo meeting as part of a general strategy session.

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The Defense Council meeting left Zuhayr Muhsin, head of the Syrian-controlled Saiqa organization, in an especially difficult position. He led the PLO delegation at the Cairo meeting, and, after it ended, publicly branded it a failure. Damascus media and pro-Syrian Beirut newspapers, to his certain embarrassment, have declared the session a success. [REDACTED]

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SPAIN

The Spanish government has officially confirmed that General Franco was hospitalized yesterday for phlebitis of the right leg. The 81-year-old chief of state is expected to undergo surgery and remain in the hospital for about three days. The danger of complications directly related to the phlebitis decreases with each day of treatment. In view of Franco's age and medical history, however, the hospitalization may be related to a more serious health problem.

The security service was placed on alert at about the time Franco was hospitalized, [REDACTED] but it is not certain that the two events are related. The US defense attaché in Madrid reports that the capital area remains calm and that there is no indication of a military alert. [REDACTED]

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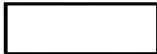
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FOR THE RECORD



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Ethiopia: The military moderates who now control the government issued general guidelines yesterday for the political system they are trying to establish. According to press reports, key points include a new constitution, retention of the monarchy, a civilian cabinet, new labor laws, and administrative reforms in the provinces. The military are reserving for themselves a major role in important cabinet decisions. They pledged loyalty to Emperor Haile Selassie but intend to reduce him to a figurehead. Parliament convened in special session this week to consider proposed constitutional revisions. 

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